

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA  
Civil No. 08-5348 (ADM/JSM)

UNITED STATES OF AMERICA, )  
)  
Plaintiff, )  
)  
v. )  
)  
1. THOMAS JOSEPH PETTERS; )  
PETTERS COMPANY, INC., aka )  
PCI; PETTERS GROUP WORLDWIDE, LLC; )  
2. DEANNA COLEMAN, aka DEANNA MUNSON; )  
3. ROBERT WHITE; )  
4. JAMES WEHMHOF; )  
5. LARRY REYNOLDS, dba )  
NATIONWIDE INTERNATIONAL RESOURCES )  
aka NIR; )  
6. MICHAEL CATAIN, dba )  
ENCHANTED FAMILY BUYING COMPANY; )  
7. FRANK E. VENNES JR., dba )  
METRO GEM FINANCE, )  
METRO GEM INC., )  
GRACE OFFERINGS OF FLORIDA LLC, )  
METRO PROPERTY FINANCING, LLC, )  
38 E. ROBINSON, LLC, )  
55 E. PINE, LLC, )  
ORLANDO RENTAL POOL, LLC, )  
100 PINE STREET PROPERTY, LLC, )  
ORANGE STREET TOWNER, LLC, )  
CORNERSTONE RENTAL POOL, LLC, )  
2 SOUTH ORANGE AVENUE, LLC, )  
HOPE COMMONS, LLC, )  
METRO GOLD, INC.; )  
Defendants. )  
)  
DOUGLAS A. KELLEY, )  
Receiver, )  
)  
GARY HANSEN, )  
Receiver. )

**SEVENTEENTH STATUS REPORT OF RECEIVER DOUGLAS A. KELLEY**

Douglas A. Kelley, the Receiver for all defendants except Frank E. Vennes, Jr. and his entities, submits this report summarizing major activities undertaken since his last report.

A. INDIVIDUAL DEFENDANTS

1. Tom Petters

a. Receivership Account

Balance on May 26, 2011	\$99,392.39
Deposits during period	932,761.73
Expenses paid during period	<u>(704,535.45)</u>
Balance on July 26, 2011	\$327,618.67

b. Receivership Activity

The court approved the sale of the Big Watab Lake property on June 24, 2011 and the sale closed on July 13, 2011.

An undeveloped lot on Lake Superior remains listed for sale at an asking price of \$269,000. There has been no buyer interest during this reporting period and the parcel is listed on a preliminary order of forfeiture obtained by the Government.

The Receiver continues to pay asset-preservation and other expenses as authorized by the Court, including health insurance premiums for two minor children.

The Receiver is working with the Government to determine a plan to market the artwork and sports memorabilia that remain part of the receivership estate.

Funds deposited into the individual receiver account included \$87,862.65 in net proceeds from the sale of the Big Watab Lake property and \$842,168.16 from the

purchase of Tom Petters' personal stock through the Sun Country Airlines sale. A portion of these recoveries was used to repay advances made on Petters' behalf for asset preservation and approved receivership expenses.

2. Deanna Coleman

a. Receivership Account

Balance on May 26, 2011	\$3,513,745.49
Deposits during period	1,172.81
Expenses paid during period	<u>(3,514,323.10)</u>
Balance on July 26, 2011	\$595.20

b. Receivership Activity

The Receiver continues to work with the Government to develop a plan to liquidate Ms. Coleman's remaining personal assets, including stocks and jewelry. On July 12, 2011, the U.S. Department of Justice seized all funds then in the Coleman individual receivership account (\$3,503,514.10).

3. Robert White

a. Receivership Account

Balance on May 26, 2011	\$2,583,913.27
Deposits during period	862.72
Expenses paid during period	<u>(2,584,338.04)</u>
Balance on July 26, 2011	\$437.95

b. Receivership Activity

The Receiver continues to work with the Government to develop a plan for liquidating Mr. White's remaining assets, including stock holdings. On July 12, 2011, the U.S. Department of Justice seized all funds then in the White individual receivership

account (\$2,577,815.25).

4. James Wehmhoff

a. Receivership Account

Balance on May 26, 2011	\$1,575,465.25
Deposits during period	542.18
Expenses paid during period	<u>(16,597.75)</u>
Balance on July 26, 2011	\$1,559,409.68

b. Receivership Activity

The Receiver's team continues to oversee the preservation of Mr. Wehmhoff's remaining assets and is working to resolve outstanding claims asserted by state and federal tax authorities against Mr. Wehmhoff.

5. Michael Catain

a. Receivership Account

Balance on May 31, 2011	\$1,477,065.87
Deposits during period	29,467.31
Expenses paid during period	<u>(23,694.30)</u>
Balance on August 1, 2011	\$1,482,838.88

b. Receivership Activity

The Receiver continues to pursue recovery of funds owed to former record companies owned by Catain. Approximately \$20,000 was received during this reporting period from a Dutch company, Roadrunner Records. The Receiver also continues to collect monthly payments under a contract for deed regarding an Arizona home owned by Mr. Catain.

6. Larry Reynolds

a. Receivership Account

Balance on May 31, 2011	\$747,172.05
Deposits during period	247.87
Expenses during period	<u>(747,294.86)</u>
Balance on August 1, 2011	\$125.06

b. Receivership Activity

The Government has taken possession of all of Mr. Reynolds' remaining property pursuant to its asset forfeiture. On July 12, 2011, the U.S. Department of Justice seized all funds then in the Reynolds individual receivership account (\$735,982.86).

B. ACTIVITIES OF PROFESSIONALS RETAINED BY RECEIVER

1. Lindquist & Venum

Lindquist & Venum devoted substantial attention to the following matters on behalf of the Receiver in the past 60 days:

a. Sun Country Airlines. Participated in numerous meetings, communications and negotiations with the Receiver, the Board of Directors of Sun Country's holding company, Sun Country management and the buyer of Sun Country, which culminated in the sale of Sun Country Airlines on July 20, 2011 for \$34,000,000. The airline was sold to a local buyer for a price significantly exceeding initial valuation estimates. The net result was a significant return to the receivership estate and the preservation of approximately 850 jobs in the Twin Cities area.

b. Claims against Charitable, Educational and Religious Organizations and Investors. Continued working with the Receiver to negotiate settlements or pursue litigation to recover funds from recipients of the Ponzi funds or other avoidable transfers.

c. Claims against Employees. Worked with the Receiver to negotiate settlements or commence litigation to recover funds from employee recipients of Ponzi funds or other avoidable transfers (including maximizing insurance recovery for same).

d. Intellectual Property. Continued research, analysis, and advice to the Receiver regarding options for maintenance, prosecution and potential liquidation of intellectual property assets related to PGW LLC, SpringWorks, and Symmorphix.

e. General Corporate. Advised Receiver and worked extensively with legal counsel to Fingerhut Direct Marketing, Inc. (now known as Bluestem Brands, Inc.) concerning a potential initial public offering of Bluestem stock and negotiated the terms of documents related to such an IPO.

f. Real Estate. Worked with the Receiver's office to close the sale of the Big Watab Lake property owned by Tom Petters and pay off the outstanding mortgage and settle a lien asserted by Collegeville Communities against the property.

g. Tax and Forfeiture Issues. Filed a motion on behalf of the Receiver for orders to show cause directed to the IRS and Minnesota Department of Revenue regarding tax assessments, potential liability for taxes and forfeiture proceedings. A hearing is set on the matter before the Court on September 12, 2011.

2. PricewaterhouseCoopers (PwC)

PwC provided the following services to the Receiver during the period covered by this report:

a. Tracing Sources and Use of Funds. Provided support and gathered appropriate documentation for clawback claims related to employee bonuses, which are currently in litigation, mediation or subject to potential suit.

b. Tax Compliance Services. Remained involved in discussions related to the Receiver's potential tax liability from the Ponzi scheme for prior year taxes. PwC is continuing to prepare tax returns for the Petters Entities. These efforts include preparing the 2010 business entity tax returns in anticipation of the September 15<sup>th</sup> filing deadline. Returns for individuals and foundations will be prepared during August through October for filing by October 15 and November 15, respectively.

3. Tonya Rosso

Tonya Rosso provided the following services to the Receiver during the period covered by this report:

a. Maintained books and records for individual receivership defendants. Ms. Rosso prepared records of all cash payments and receipts for Thomas Petters, Michael Catain and James Wehmhoff. Maintained similar records for Deanna Coleman, Larry Reynolds and Robert White for the period ended July 15, 2011. As payments were made, she categorized the payments by transaction date, expense category and parties involved. When cash was received from various sources, including asset

sales, account liquidations, rent payments or other miscellaneous transactions, Ms. Rosso recorded each deposit and maintained records of fund balances, cash receipts, and source information. For accounts no longer under control of the Receiver, Ms. Rosso reconciled the final account activity.

Respectfully submitted,

**KELLEY, WOLTER & SCOTT, P.A.**

Dated: August 2, 2011

s/Douglas A. Kelley  
Douglas A. Kelley, Receiver  
Centre Villages Offices, Suite 2530  
431 South Seventh Street  
Minneapolis, MN 55415  
(612) 371-9090